GARY I. GRENLEY, OSB #75138
ggrenley@grebb.com
DAVID E. DEAN, OSB #81206
ddean@grebb.com
GRENLEY ROTENBERG EVANS
BRAGG & BODIE, P.C.
1211 S.W. Fifth Avenue, Suite 1100
Portland, OR 97204-3737
Telephone: 503/241-0570
503/241-0914 (fax)

Liaison Counsel

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
WILLIAM S. LERACH
DARREN J. ROBBINS
DOUGLAS R. BRITTON
ELLEN GUSIKOFF STEWART
WILLIAM J. DOYLE II
401 B Street, Suite 1700
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Plaintiffs

UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

In re LOUISIANA-PACIFIC, CORP., ERISA LITIGATION	Master File No. 02-CV-1023-KI **(Consolidated Cases)**
	CLASS ACTION
This Document Relates To: ALL ACTIONS.	~~[PROPOSED]~~ ORDER AND FINAL JUDGMENT
	DATE: May 18, 2004 TIME: 1:00 p.m. COURTROOM: The Honorable Garr M. King

This action came on for a final hearing on a proposed settlement (the "Settlement") of this conditionally certified class action (the "Action") and the issues having been duly heard and a decision having been duly rendered,

IT IS HEREBY ORDERED AND ADJUDGED:

1. To the extent not otherwise defined herein, all terms shall have the same meaning as used in the Stipulation and Agreement of Settlement dated January 28, 2004 (the "Agreement").

2. The Court has jurisdiction over the subject matter of this Action and over all parties to this Action, including all members of the Plaintiff Class.

3. The Court hereby approves and confirms the Settlement embodied in the Agreement as being fair, reasonable, and adequate settlement and compromise of this Action, adopts the Agreement as its judgment, and orders that the Agreement shall be herewith effective, binding, and enforced according to its terms and conditions.

4. The Court determines that the Plaintiffs are asserting, among others, claims on behalf of the Plans to recover losses alleged to have occurred as a result of a breach of fiduciary duty pursuant to ERISA §502(a)(2). Because the Plans cannot assert such claims in their own right, the Plaintiffs and the Class are the holders of the Plans' claims against the Defendants under ERISA §502(a)(2). *See Bowles v. Reade*, 198 F.3d 752 (9th Cir. 1999).

5. The Court determines that the Settlement, which includes the Equitable Relief set forth in ¶5 of the Agreement, has been negotiated vigorously and at arm's length by the Plaintiffs and their counsel on behalf of the Plans and the Class and further finds that, at all times, the Plaintiffs have acted independently and that their interests are identical to the interests of the Plans and the Class. The Court further finds that the Settlement arises from a genuine controversy between

the Parties and is not the result of collusion, nor was the Settlement procured by fraud or misrepresentation.

6. The Court finds that the Plans' participation in the Settlement is on terms no less favorable than the Plaintiffs and the Class, and that the Plans do not have any additional claims above and beyond those asserted by the Plaintiffs that are released as a result of the Settlement.

7. The Court determines that the Settlement is not part of an agreement, arrangement, or understanding designed to benefit a party in interest, but rather is designed and intended to benefit the Plans and their participants.

8. Accordingly, the Court determines that the negotiation and consummation of the Settlement by the Plaintiffs on behalf of the Plans and the Plaintiff Class do not constitute "prohibited transactions" as defined by ERISA §§406(a) or (b), 29 U.S.C. §§1106(a) or (b).

9. The Court determines that the Notice transmitted to the Class, pursuant to the Preliminary Approval Order concerning the Settlement and the other matters set forth therein, is the best notice practicable under the circumstances and included individual notice to all members of the Class who could be identified through reasonable efforts. Such Noticed provides valid, due, and sufficient notice of these proceedings and of the matters set forth therein, including the Settlement described in the Agreement to all persons entitled to such notice, and such Notice has fully satisfied the requirements of Fed. R. Civ. P. Rule 23 and the requirements of due process.

10. The Court hereby approves the maintenance of the Action as a class action pursuant to Fed. R. Civ. P. Rules 23(a) and 23(b)(1) with the class being defined as follows:

> All Persons who were participants or beneficiaries under the Plans at any time between January 1, 1999 and the date of Preliminary Approval of Proposed Settlement and Notice, other than Persons individually named as Defendants in the Complaint, any entity in which said Defendants have an interest, and Defendants' immediate family members.

11. The Court hereby dismisses the Complaint and the Action against the Defendants with prejudice on the merits.

12. The Court hereby awards Plaintiffs and the Class the following equitable relief:

(a) Defendants shall establish and approve a written investment policy ("Investment Policy") for the Plans, substantially in the form attached hereto as Exhibit A. The Investment Policy will include a specified process for the selection and monitoring of the Plans' investments. This process will include, *inter alia,* quarterly reviews of the performance of all Plan investments by the Administrative Committee, including Louisiana-Pacific stock, consistent with the duties imposed under ERISA §404.

(b) Subsequent to the filing of this Action, and substantially concurrent with this Agreement, the Administrative Committee has replaced the Plans' former recordkeeper, Milliman USA, with T. Rowe Price. T. Rowe Price has independently developed investment educational materials discussing, *inter alia,* the merits of investment diversification. A sample of these educational materials is attached hereto as Exhibit B. Such investment educational materials, or investment educational materials substantially similar to them, shall be available on-line or upon request to the Plans' participants during T. Rowe Price's tenure as the Plans' recordkeeper. Subsequent thereto, investment educational materials shall be available to participants on-line or upon request consistent with the requirements for same under ERISA, as amended, and all applicable regulations.

13. As of the date of Final Approval of Settlement (as defined in the Agreement), the Plaintiffs, the Plans, and each member of the Class on their own behalf and on behalf of their respective heirs, executors, administrators, past and present partners, officers, directors, agents, attorneys, predecessors, and assigns, shall have released each and all of the Released Persons from

the Released Claims and the Defendants shall have released the Plaintiffs, each member of the Class and Plaintiffs' Counsel from all claims associated with the Action.

14. All members of the Plaintiff Class and the Plans (through any party authorized to sue under 29 U.S.C. §1132(a)(2)) are hereby barred and enjoined from the institution and prosecution, either directly or indirectly, of any other actions in any court asserting any and all Released Claims against any and all Released Persons.

15. Defendants are hereby barred and enjoined from the institution and prosecution, either directly or indirectly, of any other actions in any court asserting any and all Released Claims against Plaintiffs, members of the Plaintiff Class, the Plans, or Class Counsel.

16. The litigation expenses incurred by Plaintiffs' Counsel and the attorneys' fees sought by Plaintiffs' Counsel, to be paid by Defendants in the combined amount of $385,000.00 cash, are reasonable in light of the settlement achieved by Plaintiffs' Counsel providing the substantial non-monetary benefits obtained in this Action, the substantial risks associated with the Action, Plaintiffs' Counsel's skill and experience in class action litigation of this type, and the fee awards in comparable cases. Accordingly, Plaintiffs' Counsel are awarded attorneys' fees in the amount of $385,000.00 cash.

17. Pursuant to the Settlement Agreement at ¶10, the Attorneys' Fees and Expenses shall be paid to Plaintiffs' Counsel within ten (10) days of Final Approval of the Settlement. Final Approval of the Settlement shall occur upon the exhaustion of all appeals, if any, of this Order and Final Judgment as defined in ¶3.12 of the Stipulation.

18. Without affecting the finality of this Judgment, the Court retains jurisdiction for purposes of implementing the Agreement and reserves the power to enter additional orders to

effectuate the fair and orderly administration and consummation of the Agreement and Settlement, as may from time to time be appropriate, and resolution of any and all disputes arising thereunder.

SO ORDERED this 18 day of May, 2004.

Garr M. King

THE HONORABLE GARR M. KING
UNITED STATES DISTRICT JUDGE

Submitted by:

GRENLEY ROTENBERG EVANS
BRAGG & BODIE, P.C.
GARY I. GRENLEY, OSB #75138
DAVID E. DEAN, OSB #81206
1211 S.W. Fifth Avenue, Suite 1100
Portland, OR 97204
Telephone: 503/241-0570
503/241-0914 (fax)

Liaison Counsel

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
WILLIAM S. LERACH
DARREN J. ROBBINS
DOUGLAS R. BRITTON
ELLEN GUSIKOFF STEWART
WILLIAM J. DOYLE II
401 B Street, Suite 1700
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
NANCY M. JUDA
1100 Connecticut Avenue, N.W.
Suite 730
Washington, DC 20036
Telephone: 202/822-6762
202/828-8528 (fax)

Lead Counsel for Plaintiffs

WHATLEY DRAKE, LLC
JOE R. WHATLEY
2323 Second Avenue North
Birmingham, AL 35203
Telephone: 205/328-9576
205/328-9669 (fax)

KNIGHT & GRIFFITH
STEVE GRIFFITH
Post Office Drawer M
Cullman, AL 35056-0930
Telephone: 256/734-0456
256/734-0466 (fax)

Attorneys for Plaintiff Frederick J. Darlington

ROBBINS UMEDA & FINK, LLP
BRIAN J. ROBBINS
JEFFREY P. FINK
1010 Second Avenue, Suite 2360
San Diego, CA 92101
Telephone: 619/525-3990
619/525-3991 (fax)

WILLIAM H. MURR, ESQ., OSB #88274
9820 East Burnside
Portland, OR 97216
Telephone: 503/256-6704
503/252-2701 (fax)

DeCARLO, CONNOR & SELVO
JOHN T. DeCARLO
DANIEL M. SHANLEY
533 South Fremont Avenue, 9th Floor
Los Angeles, CA 90071-1706
Telephone: 213/488-4100
213/488-4180 (fax)

Attorneys for Plaintiff Richard A. Jordan

S:\Settlement\LouisianaPacific-ERISA.set\ORD00009237.doc

Louisiana-Pacific Corporation

INVESTMENT POLICY FOR 401(k) PLANS

Section 1. Scope

Louisiana-Pacific Corporation ("LP" or the "Company") sponsors the LP Salaried 401(k) and Profit Sharing Plan, LP Hourly 401(k) and Profit Sharing Plan, LP Woodland 401(k) Plan for Bargaining Employees and the LP Alpena 401(k) Plan for Bargaining Employees (collectively, "Plans"), which are defined contribution plans. These Plans are designed to provide retirement income for those employees who are participants in the Plans ("Participants"), as well as the opportunity for Participants to share in ownership and the fortunes of the Company, in accordance with the terms and conditions set forth in the plan documents for the Plans.

The Plans provide that Participants have the right and responsibility to direct the investment of the assets allocated to their Plan accounts in investment fund options that are selected from time to time by the Administrative Committee for the Plans ("Committee"). This statement of investment objectives and policies ("Investment Policy") has been adopted by the Committee to establish the investment policies and standards of prudence and performance for the Plan's investment fund options that are selected by the Committee. Within the available investment fund options, each Participant determines the relative level of risk the Participant is willing to accept. The Committee is responsible for the fiduciary oversight of the investment fund options of the Plan and has adopted this Investment Policy as its statement of intent for providing investment alternatives as described below.

Section 2. Philosophy and Strategy

The investment philosophy and strategy for the Plan is as follows:

1. **Investment Philosophy**

   Investment decisions shall adhere to the prudent investor rule as defined in Section 3 below. Consistent with those requirements, the Committee shall establish investment policies; objectives and strategies for the purpose of obtaining the optimum return on Plan investment fund options in keeping with the assumption of prudent risk and Participant return objectives. Total return shall be defined as total investment return inclusive of income and capital appreciation (both realized and unrealized).

ATL01/11585742v1

EXHIBIT A

2. **Investment Strategy**

a) **Primary Investment Goal.** The goal of the Committee in selecting investment fund options for Plan Participants, other than the Company stock fund, is to strive for consistently superior long-term investment performance for each option within appropriate risk limits. Standards for measurement of investment performance are specified below.

b) **Participant Asset Allocation.** The most important component of a Participant's investment strategy is the asset mix, or the resource allocation among the various classes of securities available to Participants. Accordingly, the Committee shall select investment fund options that allow for necessary diversification of a Participant's Plan account. As it is intended that the Plans shall comply with ERISA 404(c), the Committee shall strive to ensure that Participants have the opportunity to (i) achieve diversification from a sufficiently broad range of investment choices; (ii) give investment instructions with a frequency that is appropriate to the investment fund options; and (iii) obtain sufficient information to make informed decisions.

c) **Investment Time Horizon.** In making investment fund option decisions for the Plans, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be required if a significant change in fees, manager personnel, strategy or manager ownership occurs with respect to any investment fund option.

3. **Investment Policy Review.** The Committee shall periodically review this Investment Policy and adopt changes to it that are necessary or appropriate.

Section 3. Prudence, Responsibilities and Controls

1. **Prudence**. All participants in the Plan investment process shall act responsibly. The standard of prudence to be applied by the Committee and its investment advisors shall be the "prudent investor" rule which, in part, states: "A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust."

2. **Ethics and Conflicts of Interest.** Committee members and investment advisors involved in the investment process for the Plans shall refrain from personal business activity that could conflict with the proper execution and management of the investment

program, or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

Section 4. Investment Options

1. **Investment Options.** Set forth below are the types of investment fund options that may be offered under the Plans and the choices available under each option. To the extent practical, Participants may at the same time direct investments among more than one option or among the choices available under an option. The Committee reserves the right to revise or terminate investment options in whole or in part, at any time, for any reason.

Category 1: Retirement Options

Investment Option	**Current Choices**
Retirement Options The "retirement" approach provides a series of mutual funds that are systematically diversified and have different reward and risk characteristics based on the expected retirement date of the participant. The approach to building the "retirement" series of funds is based on the idea that asset allocation plays an important role in balancing risk and reward.	T. Rowe Price Retirement Funds Income Fund 2010 Fund 2020 Fund 2030 Fund 2040 Fund

Category 2: Core Investment Options

Investment Options	**Current Choices**
1. Stable Value Fund Stable value fund investments will consist of short to intermediate-term guaranteed investment contracts.	T. Rowe Price Stable Value Common Trust

2. Fixed Income Fund Investments are fixed income securities, including corporate bonds and U.S. government debt and mortgage-backed.	PIMCO Total Return Fund Instl.
3. Balanced Fund Investments are a mix of fixed income securities and stocks of medium and large companies. Asset allocation is set by the investment manager and remains close to a 60% stocks/ 40% fixed income ratio.	T. Rowe Price Balanced
4. Large Cap Value Equity Fund (Actively Managed) Investments will be primarily in undervalued stocks of medium and large companies, characterized by above-average income yields and below-average price/earnings ratios relative to the stock market.	T. Rowe Price Equity Income Fund
5. Large Cap Core Equity Fund (Passively Managed) Investments will consist primarily of the 500 stocks, which comprise the S&P 500 Index.	T. Rowe Price Equity Index 500 Fund
6. Large Cap Growth Equity Fund (Actively Managed) Investments will be primarily in stocks of medium and large companies, characterized by above-average earnings growth potential.	T. Rowe Price Growth Stock Fund

7. International Equity Fund Invests primarily in equities of non-U.S. companies domiciled primarily in developed markets, with opportunistic investments in companies domiciled in emerging markets.	Julius Baer International Equity Fund
8. Mid Cap Value Equity Fund Investments will be primarily in undervalued stocks of medium sized companies characterized by above-average income yields and below-average price/earnings ratios relative to the stock market.	T. Rowe Price Mid Value Fund
9. Mid Cap Growth Equity Fund Investments will be primarily in stocks of medium sized companies, characterized by above-average earnings growth potential.	T. Rowe Price Mid Growth Fund
10. Small Cap Core Equity Fund Invests primarily in securities of small companies, exhibiting both attractive valuations as well as above average earnings growth expectations.	Batterymarch Small Cap Equity Fund
12. Employer Stock Invests directly in stock of the Louisiana Pacific Corporation, which is publicly traded on the New York Stock Exchange. Employer stock seeks capital appreciation through increases in value of LP's stock.	Louisiana Pacific Corporation Stock (LPX)

Section 5. Investment Fund Performance

1. **Performance Evaluation.** In such times as any Plan investment fund performs below expectations, the Committee will seek to identify the causes to which underperformance can be attributed. The performance of investment funds is evaluated with regard to the following investment objectives (see also Performance Expectations below):

a) Comparison of the results to investment funds employing similar strategies (e.g. diversification, style, volatility, market capitalization, etc.);

b) The opportunities available in both equity and debt markets, including the Standard & Poor's 500 Index for large cap equities and the Lehman Aggregate Bond Index for fixed-income securities (or other comparable indices as appropriate) for monitoring individual portfolio investment strategies;

c) The investment fund manager's consistent adherence to stated management style; and

d) The discipline of the investment fund manager's investment decision-making process and any material changes in the manager organization (e.g., personnel, acquisitions, losses of client accounts, significant increase in client accounts, etc.).

2. **Performance Expectations.** The most important performance expectation is the achievement of long-term investment results that are consistent with this Investment Policy. Long-term annualized rates of return for each investment fund option as noted below in the Performance Benchmark Objectives section of this Investment Policy is a goal not to be pursued with indifference to risk.

The Committee recognizes that an annualized return objective may not be meaningful during some time periods. In order to ensure that investment opportunities available over a specific time period are equitably evaluated, comparative performance statistics will be used to evaluate investment results. Each investment fund is expected to perform above the 40^{th} percentile of their respective performance evaluation universe. This performance result should be achieved over a market cycle, but rolling three to five year results will also be monitored.

The Committee shall from time to time retain an independent professional investment consultant ("Consultant") to assist and advise the Committee. Consultants will be selected based on experience and the ability to provide competent advice consistent with the investment philosophy and goals of the Committee. Should an investment fund fall into the bottom quartile of a peer universe as defined by the Consultant for three consecutive quarters, the Committee, with the assistance of an independent investment advisor to the Committee, shall conduct further due diligence into understanding the reasons for underperformance of the fund and determine whether the fund should continue as an investment option within the Plans.

Equity funds shall maintain an index specific beta of no more than 1.25, (unless otherwise approved by the Committee with respect to a specific style of fund management) while fixed income funds shall maintain an average overall portfolio quality of "A" or better. In

addition, fixed income funds shall maintain portfolio duration within 1 1/2 years of their respective index.

Louisiana Pacific Corporation stock will be continually evaluated as an investment option relative to the broad stock market and relevant ERISA provisions. Employer stock is offered as a voluntary investment in the Louisiana-Pacific Hourly 401(k) and Profit Sharing Plan and the Louisiana-Pacific Salaried 401(k) and Profit Sharing Plan to provide employees an opportunity to share in the fortunes of the company.

3. **Performance Benchmark Objectives.** The following performance benchmark objectives are established:

a) **Stable Value Option**. The performance objective of the stable value option is to achieve a total time-weighted return over a complete business cycle in excess of the BT 3-Year GIC benchmark, and to achieve above- median performance on a time-weighted basis over rolling three to five-year periods, relative to a universe of managers with similar style and/or objectives and without undue volatility on a risk/reward basis.

b) **Fixed-Income Option.** The performance objective of the fixed income option is to achieve a total time-weighted return over a complete business cycle that exceeds the Lehman Aggregate Bond Index by 0.50% net of fees, and to achieve above median performance on a time-weighted basis over rolling three to five-year periods, relative to a universe of managers with similar style and/or objectives and without undue volatility on a risk/reward basis.

c) **Balanced Option.** The performance objective of the balanced option is to achieve a total time-weighted return over a complete business cycle that exceeds a custom benchmark comprised of 60% S&P 500 Index and 40% Lehman Aggregate Bond Index by 0.75% net of fees, and to achieve above median performance on a time-weighted basis, over a business cycle and relative to a universe of managers with similar style and/or objectives.

d) **Large-Cap US Equity Options.** The performance objective of the actively managed large-cap domestic equity options is to achieve a total time-weighted rate of return over a complete business cycle that exceeds the appropriate style-specific benchmark (Russell 1000 Value, S&P 500, Russell 100 Growth) by 0.75% net of fees, and to achieve 40th percentile or better performance on a time-weighted basis, over a business cycle and relative to a universe of managers with similar style and/or objectives.

e) **Mid-Cap US Equity Options**. The performance objective of the actively managed mid-cap domestic equity options is to achieve a total time-weighted rate

of return over a complete business cycle that exceeds the appropriate style-specific benchmark (Russell Mid-Cap Value, Russell Mid-Cap Growth) by 1.00% net of fees, and to achieve 40th percentile or better performance on a time-weighted basis, over a business cycle and relative to a universe of managers with similar style and/or objectives.

f) **Small-Cap US Equity Option.** The performance objective of the actively managed small-cap domestic equity option is to achieve a total time-weighted rate of return over a complete business cycle that exceeds the Russell 2000 by 1.25% net of fees, and to achieve 40th percentile or better performance on a time-weighted basis, over a business cycle and relative to a universe of managers with similar style and/or objectives.

g) **Non-US Equity Option.** The performance objective of the international equity option is to is to achieve a total time-weighted rate of return over a complete business cycle that exceeds the MSCI EAFE by 1.25% net of fees, and to achieve 40th percentile or better performance on a time-weighted basis, over a business cycle and relative to a universe of managers with similar style and/or objectives.

h) **Retirement Options.** The performance objective of the retirement options is to achieve a total time-weighted rate of return over a complete business cycle that exceeds a dynamically weighted custom benchmark that consists of the appropriate underlying benchmarks represented by their respective weight in the portfolio, as calculated by the investment consultant.

i) **Employer Stock.** As an undiversified investment, a specific index comparison is not appropriate for Employer Stock.

Section 6. Implementation

1. **Duty of Care.** The Committee, as a Plan fiduciary, will:

a) Manage the assets for the exclusive benefit of Plan Participants and beneficiaries;

b) Establish prudent investment policies defining investment objectives and strategies;

c) In selecting investment fund options for the Plans, seek to maximize available investment returns while maintaining the safety of principal;

d) Diversify Plan investment fund options to reduce market risk and specific issue risk;

e) Monitor and document investment performance of the Plan investment funds; and

f) Efficiently manage the costs associated with implementation of the investment program of the Plans.

2. **Investment Consultants.** The Committee may retain independent professional investment consultants to assist and advise the Committee. Consultants are selected based on experience and the ability to provide competent advice consistent with the investment philosophy and goals of the Committee.

Section 7. Revisions

Changes to this Investment Policy may be made by the Committee from time to time. Such changes may be initiated independently by the Committee or upon recommendation of counsel or any investment manager, advisor or consultant to the Plan. This Policy will be reviewed at least annually.

Dated:________________

ADMINISTRATIVE COMMITTEE
Louisiana-Pacific Corporation
401(k) Plans

By________________________
Curtis M. Stevens

By________________________
Russell S. Pattee

By________________________
Andrea L. Vicino

::ODMA\PCDOCS\ATL01\11585742\1

A closer look at your company stock

Being able to invest in your company's stock through your retirement plan is a great way to participate in the success of the business. Keep in mind, however, that your company stock is quite different from the other investment choices offered in your retirement plan. And, there are many things you should consider when including company stock as one of the investments in your retirement account.

EXHIBIT B

It's all riding on one stock

The most important difference between your company stock and the mutual funds offered through your plan is that the company stock invests in *one* stock. Mutual funds, on the other hand, are automatically diversified—investing in hundreds (sometimes thousands) of stocks and/or bonds, depending on the mutual fund's goals. As a result, the success of a mutual fund is not riding on the performance of just one stock.*

Because of this, the company stock may be one of the riskiest investments offered through your plan.

Don't make it personal

Even though it carries the highest risk/return potential, you may feel very comfortable investing in the company stock because you know the company, you know the people, and you know the product or service.

You may also feel comfortable if the stock has historically been a strong performer and if prospects seem positive.

But remember, every company is susceptible to a weak economy. And you never want to choose an investment based on past performance alone. When including any investment in your retirement account, you must always consider your tolerance for risk and the amount of time you have until retirement.

**Your plan may offer trusts—or other custom investment options besides mutual funds—that are also considered diversified in nature.*

The 10% rule

Most financial experts will tell you that company stock should make up no more than 10% of your retirement account. One reason for this, as discussed earlier, is that the company stock may be one of the most aggressive options offered through your retirement plan.

Another reason is that you don't want your retirement nest egg riding on one company. What would happen if there were layoffs? People could lose their jobs, and the price of the company stock could drop. In this scenario, with too much invested in company stock, employees could not only be out of work, they could also lose a portion of their retirement savings.

Play it smart

Take this opportunity to look at your account statement and see how much of your retirement savings is invested in the company stock. If you feel you are investing too much in company stock, it's easy to make a change. For example, you can adjust how future contributions are invested in your account by changing your future investment election. Depending on your plan's guidelines, you may be able to exchange all or part of your existing account balance to other investment options in your plan. Just call your plan's toll-free number to reach the T. Rowe Price Plan Account Line (PAL) or log on to *my*RetirementPlan at rps.troweprice.com.

Keeping an eye on the percent of your account invested in company stock can help to ensure you keep a balance of risk and return potential that is just right for you.

T. Rowe Price decisions®

T. Rowe Price Investment Services, Inc., Distrib[illegible]

FOCUS ON investing

INFORMATION FOR RETIREMENT INVESTORS

A closer look at your company stock

Being able to invest in your **company's stock** through your retirement plan is a great way to participate in the success of the business. Keep in mind, however, that your **company stock** is quite different from the other investment choices offered in your retirement plan. And, there are many things you should consider when including **company stock** as one of the investments in your retirement account.

It's all riding on one stock

The most important difference between your **company stock** and the mutual funds offered through your plan is that the company stock invests in *one* stock. Mutual funds, on the other hand, are automatically diversified—investing in hundreds (sometimes thousands) of stocks and/or bonds, depending on the mutual fund's goals. As a result, the success of a mutual fund is not riding on the performance of just one stock.*

Because of this, the **company stock** may be one of the riskiest investments offered through your plan.

Don't make it personal

Even though it carries the highest risk/return potential, you may feel very comfortable investing in the **company stock** because you know the company, you know the people, and you know the product or service.

You may also feel comfortable if the stock has historically been a strong performer and if prospects seem positive.

But remember, every company is susceptible to a weak economy. And you never want to choose an investment based on past performance alone. When including any investment in your retirement account, you must always consider your tolerance for risk and the amount of time you have until retirement.

The 10% rule

Most financial experts will tell you that **company stock** should make up no more than 10% of your retirement account. One reason for this, as discussed earlier, is that the **company stock** may be one of the most aggressive options offered through your retirement plan.

Another reason is that you don't want your retirement nest egg riding on one company. What would happen if there were layoffs? People could lose their jobs, and the price of the **company stock** could drop. In this scenario, with too much invested in company stock, employees could not only be out of work, they could also lose a portion of their retirement savings.

Play it smart

Take this opportunity to look at your account statement and see how much of your retirement savings is invested in the **company stock**. If you feel you are investing too much in **company stock**, it's easy to make a change. For example, you can adjust how future contributions are invested in your account by changing your future investment election. Depending on your plan's guidelines, you may be able to exchange all or part of your existing account balance to other investment options in your plan. Just call your plan's toll-free number to reach the T. Rowe Price Plan Account Line (PAL) or log on to ***my*****RetirementPlan** at rps.troweprice.com.

Keeping an eye on the percent of your account invested in **company stock** can help to ensure you keep a balance of risk and return potential that is just right for you.■

**Your plan may offer trusts—or other custom investment options besides mutual funds—that are also considered diversified in nature.*

decisions®

FOCUS ON Investing INFORMATION FOR RETIREMENT INVESTORS

Rebalancing: When to make changes to your retirement portfolio

Retirement investing focuses on the long term, and a well-balanced investment mix should help your retirement account weather the inevitable ups and downs of the market over a 20- to 30- year period.

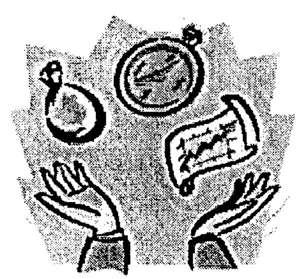
However, sticking with your investment strategy does not mean ignoring it. Financial advisers suggest that you revisit your plan's asset allocation—how you have diversified your investments among the asset classes of growth, income, and stability—once a year to see if your portfolio needs to be rebalanced.

Over time, prolonged periods of market volatility—the rise and fall of financial markets—may throw off your asset allocation. For example, suppose several years ago you chose to set up your portfolio with 60% growth, 30% income, and 10% stability investments. Now you notice that the value of your stocks has grown substantially, changing your overall portfolio allocation to 75% growth, 20% income, and 5% stability. Rebalancing means making changes to your account investments to restore your original investment strategy.

You may also consider rebalancing your retirement account in response to certain life changes. You might have a change in risk tolerance or a new retirement date in mind. A marriage, inheritance, death, or new family member can also have an impact on your retirement savings strategy. The important thing to remember is to make changes to your account only when your goals change.

Making a change

There are two ways that you can make a change to your retirement account. You can either change how you invest your future contributions by changing your future investment election, or you can change how you invest money that's already in your plan account by exchanging existing account balances—or portions of them—from one investment choice to another.



T. Rowe Price makes it easy to keep your investment strategy on track. To make a change to your account, simply call the T. Rowe Price Plan Account Line using your plan's toll-free number or log on to rps.troweprice.com.

You may want to consider rebalancing other investments beyond your retirement plan.

decisions®

FOCUS ON Investing

INFORMATION FOR RETIREMENT INVESTORS

Bonds Can Deliver Interest Income

When governments and corporations need to borrow money, they issue a bond. Bonds are the IOUs borrowers give investors who lend them money. The IOU explains the terms of the loan, including how much interest is to be paid and when.

Bonds are grouped by maturity

Bonds are issued for a set period. At the end of that period—a bond's maturity date—the bond issuer is required to repay the original loan (the principal). Bonds are generally put into three groups: short-term (fewer than five years), intermediate-term (five to 10 years), and long-term (more than 10 years).

Some risks of bond investing

For retirement investors like you, bonds can help balance the risks of stock investing. However, bond investing also involves some risks:

Interest rate risk. A bond's market value is closely tied to interest rates. Generally, when interest rates rise, bond prices fall, and you may realize a loss when you sell.

Credit risk. Credit quality is measured by the issuer's ability to meet interest and principal payments on time. When an issuer misses a payment, the bond is considered in default.

While the government issues some bonds, funds that invest in them are not guaranteed or insured by the U.S. government.

Risk level of bonds can vary

Bonds are very different from stocks. Generally, bonds do not have the growth potential of stocks, but bonds usually offer a more consistent level of income and, over time, may be more stable in price than stocks. Junk bonds, with lower credit quality, may move up and down in value quite a bit. Because they carry higher risk, they usually deliver higher income to reward investors. Likewise, long-term bonds typically pay higher income than short-term bonds because you are loaning your money for a longer period.

Bond mutual funds reduce risk

Investing in a bond mutual fund has advantages over investing in individual bonds. First, bond funds are managed by investment professionals who base their buy and sell decisions on extensive research. Second, when you invest in a bond mutual fund, your money is spread among many different bonds. This reduces risk for you because a bond that performs poorly within a fund may have less of an impact on your overall financial situation than a single bond you own directly. Third, any income a fund earns is automatically reinvested to help you build your account value.

Diversify with bonds

Adding a bond fund or funds to your account can help you diversify if you are invested only in stocks. And, diversification can help reduce your overall risk—something you'll appreciate when the market hits a rocky patch! ■

Request a prospectus by calling your plan's toll-free number or by writing to:
T. Rowe Price Investment Services, P.O. Box 17630, Baltimore, MD 21298-9319.
Read the prospectus carefully before investing.

T. Rowe Price Investment Services, Inc., Distributor.

decisions®

FOCUS ON Investing INFORMATION FOR RETIREMENT INVESTORS

Mutual Funds Can Make Investing Easier

Four of every 10 households in America invest in mutual funds. The popularity of funds shows how easy they make investing.

A mutual fund pools investors' money

Money from all the different investors who share the same investment goal is pooled. The fund manager invests and manages the pool of money to try to achieve that fund's goal. As a mutual fund investor, you share ownership of all the fund's holdings.

Three benefits of mutual funds

Professional management. Professional money managers decide when to buy, sell, and hold securities in a fund portfolio. They consider factors like the financial health of each company, industry trends, and the general condition of the economy.

Diversification. The large pool of money in the fund allows managers to purchase a greater variety of investments than you could afford to buy on your own. This variety—or diversification—helps reduce risk.

Convenience. The mutual funds in your plan reinvest any income earned to buy more shares, which helps your account accumulate faster. Plus, it's easy to keep track of a fund's performance in the newspaper and in the regular account statements you are sent. You can also check the performance of many mutual funds on the Internet. T. Rowe Price fund information is available at **http://rps.troweprice.com**.

Review each fund's ingredients

Mutual funds are grouped by the type of securities they invest in: money market securities, bonds, or stocks. Money market funds carry relatively low market risk but may offer a lower long-term return, which can hamper your accumulation goals. Bond funds have higher market risk than money market funds and have a higher potential return. Stock funds offer the highest potential return but also carry the greatest market risk. Some funds contain a mix of these three kinds of investments.

Before picking the fund or funds that are right for you, make sure their objectives are the same as yours. Then, with your long-term needs in mind, choose an investment mix that has the potential to meet your goals. Now that you're armed with this information, you're off to a good start! ■

Request a prospectus by calling your plan's toll-free number or by writing to:
T. Rowe Price Investment Services, P.O. Box 17630, Baltimore, MD 21298-9319.
Read the prospectus carefully before investing.

T. Rowe Price Investment Services, Inc., Distributor.

decisions®

INFORMATION FOR RETIREMENT INVESTORS

Understanding Your Company's Retirement Plan

A Close up on Retirement Account Safeguards

While there's no protection against market fluctuations that cause investments in retirement plans to go up and down in value, employer-sponsored retirement plans offer you an excellent opportunity to help build savings for retirement. You'll be glad to know that many checks and balances are in place to help protect your plan assets from other factors.

Know the Law

Perhaps the most important federal legislation for retirement investors like you is the Employee Retirement Income Security Act (ERISA) that regulates employer-sponsored retirement plans. ERISA was enacted in 1974 to provide disclosure and safeguards concerning the establishment, operation, and administration of these plans. Over the years, ERISA has been amended to meet the changing retirement needs of employees.

In recent years, more focus has been placed on the diversification of investments in certain types of retirement plans, such as 401(k)s. ERISA addresses this important issue by stating: (1) plan investments offered to participants in plans that allow participant direction should be diversified, and (2) ERISA's standards should be applied to the management of the plan.

Rest assured, your employer is required to design and administer your company's retirement plan in accordance with ERISA.

Learn How Decision Makers Act on Your Behalf

According to ERISA, the fiduciaries—people entrusted to make important administrative decisions regarding the plan's assets—must act in the best interests of those participating in the plan. That means that the decision makers always keep you in mind in their ongoing management of the plan.

It's important to understand:

- Assets belong to the plan, not to the employer. Your employer does not have any claim to the money in your plan account.
- Assets must be held in a trust for the exclusive benefit of participants. When you

contribute to your plan account, your money is invested in the options of your choice and put into a trust.

These standards apply to your employer who sponsors your plan, the trustees who safeguard the plan assets, and the investment managers who offer the investment options in the plan.

Stay Informed About the Plan

Your employer must keep you, as a participant in the plan, informed and provide you with access to certain types of information, including:

- **summary plan description**—a document describing the features of the employer-sponsored plan, which includes participants' ERISA rights, claims procedures, funding arrangements, and contact information
- **summary of material modifications**—an explanation of any major changes to the plan or the way in which it operates
- **summary annual reports**—a year-end review of plan performance and activities.

Know That Plan Auditors Review Procedures

If your plan has more than 100 participants, the law requires an annual audit by an independent auditor to determine whether the proper practices are being followed. In addition, the Department of Labor and the Internal Revenue Service perform their own plan audits at random.

Play Your Role in Retirement Planning

While it's true the actions of the government, employers, and plan service providers are critical to the success of retirement plans, you also play an important role in your financial future. It's important for you to prepare ahead of time for your life in retirement, considering: Social Security probably won't be enough by itself; people are living longer and retirement could extend for 20 to 30 years; and inflation will likely continue pushing up future costs.

Now you have an opportunity to become more involved in your retirement planning. Many of today's retirement plans allow employees to self-direct the investment of their account balances. A 401(k) plan is a good example of this.

- As an employee, you can contribute a percentage of salary to the 401(k) plan.
- As a participant, you choose from the investments available in your plan, which usually include growth, income, and stability investment options, and decide how to diversify your savings among the different asset classes.
- As a long-term investor, you may want to select a variety of investment types appropriate to your situation. Financial experts recommend spreading (or diversifying) your savings among several different investment types to help reduce the overall risk of your portfolio—because no single type of investment

does well all of the time. It's also advisable to limit investment in any one option (including your company's stock) to roughly 10% of your portfolio's assets.

Since your retirement income from this type of company-sponsored plan depends on what you save and how you invest, it's important to determine your goals, while selecting an investment strategy that matches them.

Be an Active Plan Participant

Signing up for the plan and contributing to your account each pay period is a good start, but you can do more.

- Stay informed about your plan provisions and changes.
- Select an investment mix that matches your retirement goals.
- Diversify among the various asset classes.
- Take time to review your investment lineup each year, or more often if you experience a major life-changing event (such as marriage or the birth of a baby).

For more information about this topic or retirement planning in general, log on to T. Rowe Price's *my*RetirementPlan site at **rps.troweprice.com** or call the **T. Rowe Price Plan Account Line** using your plan's toll-free number. You should also refer to your summary plan description for details on how your plan is managed.

---

decisions®

FOCUS ON investing — INFORMATION FOR RETIREMENT INVESTORS

Build an informed investment strategy

Investing rule #1: If you don't understand it, don't buy it. The good news is that there's a wealth of easy-to-use resources available to help you understand your investment choices. Some resources, like Morningstar's fund fact sheets, provide valuable information about investments. Other resources, like your statement, help you evaluate performance.

Know Your Fund

If you want to learn about your mutual funds, start with Morningstar's fund fact sheets. Written in plain language, these clear, concise, one-page summaries provide objective overviews of the funds in your plan. While not every fund fact sheet will include all of the following information, in general, here's a sampling of what you'll find:

Morningstar® Style Box™: a graphic depiction of the fund's holdings on a specific date.

Investment Strategy and Annual Turnover Ratio: a fund's plan of action and the frequency with which its manager trades portfolio holdings.

Overall Morningstar Rating™: a description of the fund's historical, risk-adjusted performance.

You can access detailed fund fact sheets for all publicly traded funds tracked by Morningstar through the T. Rowe Price ***my***RetirementPlan Web site at rps.troweprice.com. Or, call your plan's toll-free number to request them.[1]

Understand Performance

Every quarter you receive an account statement that presents investment returns and historical performance at different time intervals. To know whether your funds are performing well, you must compare them to benchmarks of similar investments and focus on long-term performance—not simply the most recent quarter or year-to-date alone. A fund return of 2% may be terrific or terrible, but you won't know until you compare it to the market or its peers. Each benchmark index has been carefully selected to serve as a measuring stick for fund performance. These benchmarks are generally market or fund indices that measure the performance of investments similar to those in your funds.

Market Indices

Market indices are used to measure the performance of a fund against that of the broader market. For example, the Standard & Poor's 500 (S&P 500) Index measures the performance of 500 widely held common stocks. It is often used as a benchmark for funds that invest in large companies. If a fund returns less than the index, it underperformed. If it returns more than the index, it outperformed. Other examples of market indices include the Russell 1000, a common benchmark for small-company stock funds, and the Lehman Brothers U.S. Aggregate Index, which measures the performance of long-term bond funds.

Fund Indices

Fund indices, such as those created by Lipper Inc., measure the performance of a fund against that of its peer group. For example, the Lipper Large-Cap Growth Funds Index measures the performance of funds that invest primarily in large, growth-oriented companies, while the Lipper Telecommunications Funds Average measures the performance of funds that focus on media and telecommunications. Lipper indices have been used to judge the Forbes Honor Roll and other rankings.

Other Tools

On the T. Rowe Price *my*RetirementPlan Web site at rps.troweprice.com, you'll find tools that can help you plan an investment strategy and track investments. You'll need your user name and password to log in to the site. Click on the "Planning Tools" tab, and then click "Morningstar Tools".

[1] Most investment options offer a Morningstar fund fact sheet, but some trusts, custom funds, and company stock may not. In those cases, similar fact sheets are available.

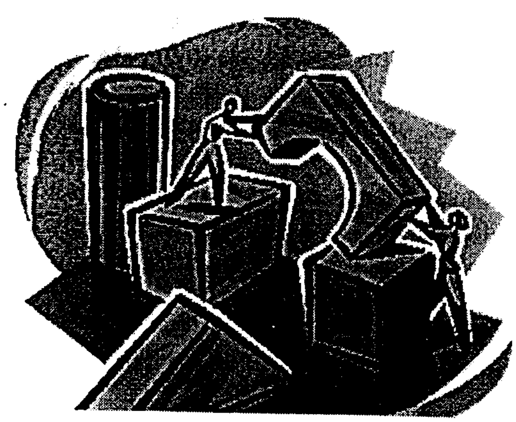
Morningstar® ClearFuture® Guidance[2]—helps you choose funds and plan an investment strategy designed to meet your retirement income goals.

Morningstar® Portfolio X-Ray℠—provides a complete analysis of your retirement investments, including individual stocks and mutual funds.

Morningstar® Portfolio Tracker℠—provides a detailed breakdown of your investments' daily performance. You can create up to 50 different portfolios.

Morningstar® Portfolio Watchlist℠—provides experienced investors with price targets and volume ranges for investments outside their retirement savings strategies.

Prospectuses for any of the mutual funds available in your plan can be obtained by calling your plan's toll-free number or visiting our Web site at rps.troweprice.com. Prospectuses contain more complete information, including risks and fees and expenses. Read the prospectus carefully before investing.



[2] Morningstar, based in Chicago, supplies investment information on mutual funds, stocks, and variable annuities. The company neither owns, operates, or holds interest in any of these types of securities, but provides data, research, analysis,

and editorial commentary for investors. Morningstar® ClearFuture® Guidance is offered by and is property of Morningstar Associates, LLC. Morninstar Associates, LLC, a registered investment adviser and subsidiary of Morningstar, Inc.

decisions®

FOCUS ON Strategy

INFORMATION FOR RETIREMENT INVESTORS

Let Your Age Be Your Investment Guide

Confused about how to spread your savings among your plan's investment choices? Let your age help steer your decision.

Here are two rules of thumb for how your age can be your investment guide:

- In general, the younger you are, the more you'll want to consider investing in growth (stock) funds. The reason: over the long term (10 years or more), stocks have consistently provided returns that have outpaced inflation more than income (bond) or stability (money market) investments.
- As you grow older, you may wish to consider investing more in stability and income funds.

As you make investment decisions, measure your age in terms of decades.

Your 20s and 30s — time to start

You can gain the most from your employer's savings plan if you start investing in your 20s and 30s.

- Even small amounts saved during your earliest working years can add up to a large sum over time. That's because of compounding — earning interest on your original investment plus each year's earnings.
- Now is the time to consider putting a significant portion of your savings into stock funds. Retirement is a long way off, and your investments should have time to ride out ups and downs in value.

Your 40s — time to build

Even if you've put off saving for retirement until your 40s, you still have time to build your savings to a sizable sum over the next 20 or 25 years.

- To help your savings beat inflation, consider growth funds.

Your 50s and 60s — time to review

Retirement is right around the corner, so you may want to reduce your exposure to risk.

- You may want to gradually increase your investment in stability and income funds. This may help protect your account from the short-term ups and downs of the stock market.
- Consider keeping a portion of your investment in growth — even well into retirement. This may help your savings stay ahead of inflation. Remember, your savings may need to last 20 or 30 years in retirement!

Invest for the long term

Investing is easier when you choose investments that suit your age and goals. Review your investment mix periodically. ■

---

decisions®

T.RowePrice INVEST WITH CONFIDENCE

Market Review - Fourth Quarter of 2003

Stocks Rose, Markets Advance: 2003 Closes on Positive Note
U.S. stocks rose in the fourth quarter of 2003, extending the rally that began in March and lifting several major indexes to levels not seen in nearly two years. In fact, 2003 proved to be the first positive year for the U.S. equity market since 1999. Factors supporting the market's advance included stronger corporate earnings and economic growth, signs of an improved job market, merger activity, and the Federal Reserve's repeated assurances that low inflation will help keep short-term interest rates low "for a considerable period." The market largely ignored several potential areas of concern like rising commodity prices, a series of investment industry scandals, protracted weakness in the U.S. dollar versus other currencies, and a late-year increase in the nation's terror threat level.

Growth
Small- and mid-cap shares outperformed their larger counterparts, with the small-cap Russell 2000 Index returning more than both the S&P MidCap 400 Index and the large-cap S&P 500 Stock Index. Value stocks outpaced growth across all market capitalizations. Among larger companies, all major sectors rose strongly—and the materials, energy, industrials, and consumer discretionary sectors fared best. Stocks of utility, consumer staples, and health care companies lagged.

Income
U.S. bond returns were mixed in the fourth quarter, as intermediate- and long-term interest rates continued to increase from their 45-year lows set in June amidst signs of a strengthening economy. Treasury prices declined, while municipals rose. Mortgage-backed and investment-grade corporate securities were relatively flat. High-yield bonds produced strong returns and finished the year with their best annual performance in a decade.

Stability
During the quarter, money market rates remained fairly stable.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.